

# GUARDIAN EMERGING MARKETS EQUITY FUND Q1 2024 COMMENTARY

## Market Review

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The MSCI Emerging Markets Index (the “Index”) returned +4.8% in the first quarter of 2024, a second consecutive quarter of mid-single digit positive returns. During Q1, the Guardian Emerging Markets Equity Fund (the “Fund”) returned +2.0%. Since inception the Fund has registered annualized returns of +5.0%, against the Index annualised return of +5.1%.

By region, Emerging Asia was the strongest performer during the quarter, returning +6.0%, followed by EMEA (+3.6%). Latin America (-1.5%) was the clear regional laggard having been the strongest performing region in 2023.

In terms of performance by sector, there was a reasonable level of dispersion, with Information Technology (+12.7%) and Energy (+9.6%) the stand-out performers on the upside, whilst Real Estate (-3.6%) and Materials (-2.2%) were the weakest performing sectors for the quarter.

## Performance Attribution

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The largest contributor to Fund performance in the quarter was Taiwanese semiconductor manufacturer **TSMC**. The company forecast strong growth in revenues for the year ahead, and sentiment has improved as investors become increasingly positive on the company’s key role in the manufacture of core components for leading AI customers. Another positive contributor in the period was Mexican tequila manufacturer **Becle**. Shares in the company recovered following a tough 2023, as management delivered a reassuring message on the resilience of demand for the company’s products. At the same time, the agave price, a key input cost for the business, continued its downward trajectory, boosting expectations for future profitability. Shares in Chinese online travel agency **Trip.com** were also strong in the quarter. The company is seeing a continued healthy growth in demand for hotel and travel bookings from Chinese consumers. Domestic bookings now exceed pre-COVID levels, whilst outbound international travel bookings are expected to continue to grow as additional flight capacity comes online throughout the year.

The largest detractor from performance for the Fund was pan-Asian insurer **AIA**, with shares coming under pressure after investors expressed concern over possible future margin dilution from the expansion of the company’s Chinese business. Another detractor was Indian bank **HDFC Bank**. Shares reacted negatively after deposit growth for the December quarter was slower than expected, whilst management commentary around ongoing tight liquidity in the Indian banking system raised concerns that this slower deposit growth would limit loan growth in the near term. Latin American digital consultancy **Globant** was also a detractor from performance in the quarter. The stock had been strong in the latter part of 2023 and

despite management guiding for industry-leading revenue growth for 2024 investor sentiment retreated somewhat following a less positive outlook from some of its consulting peers.

## Fund Activity and Positioning

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During the quarter there were no new stocks added to the Fund and no full company positions sold.

### Returns are presented in CAD.

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